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The embarrassed CIA

The impending trial this year of a former associate of the Central Intelligence Agency in Honolulu has caused concern in the CIA's network of secret businesses and among executives who co-operate with the agency. The businessmen are worried that their connections may become public knowledge.

The CIA runs secret businesses, known as "proprietarys", to provide cover for agents to "wash" money for covert operations and for other clandestine purposes. The businesses, which almost never have publicly-owned stock, are believed to be worth at least \$50m. They are set up both by CIA-employed businessmen or, in some cases, by businessmen who do not know the CIA is paying the bills. The best-known proprietary, now defunct, was Pacific Corporation, which owned Air America, the CIA airline.

The CIA also receives help from ordinary American firms which have branches abroad in providing cover for agents. Firms which depend on government contracts to stay in business are among the CIA's favourites. Many businessmen who help the CIA do so for patriotic reasons.

Both these relationships are being troubled by the trial of **Ronald Rewald** in Hawaii. Rewald was an associate of the CIA, which had a close interest in his business. As a result of this trial, CIA sources say, several firms, which routinely provide cover for the CIA have been grilling their CIA case officers for details. And some firms in which the CIA has invested have threatened to discontinue the relationship.

Rewald faces 100 grand jury counts of fraud, perjury and tax evasion. The CIA has been forced to admit it used his investment firm of Bishop, Baldwin, Rewald, Dillingham & Wong (BBRD&W) as a cover for its agents and that Rewald was one of its part-timers. The CIA claims that its involvement in the (failed) BBRD&W was "low-level". Sources and documents suggest, however, that it was substantial.

Rewald swears, in an affidavit that remains unpublished for national security reasons, that after he arrived in Hawaii in 1978 he and the CIA station chief created BBRD&W as a cover for the CIA. The federal prosecutor, however, has charged Rewald with stating falsely that the CIA initiated the firm and its investment scheme. A federal grand jury has indicted Rewald on the charge that he induced many military personnel, CIA employees and others to invest some \$22m in BBRD&W—and diverted this for his own personal use. The case continues.

Rewald's affidavit, of 54 pages with 95 exhibits, has been obtained by FOREIGN REPORT. On the basis of this affidavit and other sources, a picture of the CIA link has emerged:

- At least 15 CIA agents appear to have been employees of Rewald. One was said to be making connections with the Greek prime minister, **Andreas Papandreou**, when the BBRD&W scandal erupted.

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● Eight other agents were operating under the cover of four Rewald/CIA-created "proprietarys". We have seen CIA "cover sheets" for two of these firms, including bogus capitalisation figures and a phone number at the Rewald organisation.

● Between 1980 and 1982, the CIA used BBRD&W and Rewald to gather economic information mainly about allied countries. Most of the "targets" were in Asia and Latin America. Rewald says he found that, during the Falklands war, Argentina was being supplied with weapons by the Soviet Union and from the Far East through a country "normally allied with the United States". The latter contact was cut off.

● Rewald says the CIA authorised the payment of \$55,000 to try to obtain the

technology of Japan's high-speed monorail.

● Rewald's chauffeur was used by the CIA to drive its chiefs, including the then director, **Stansfield Turner**, and his wife around the island of Oahu in a BBRD&W silver-and-black Cadillac.

● The CIA paid Rewald's son \$100 a month to watch Chinese students attending Brigham Young University on Oahu and at the Polynesian cultural centre near the campus.

● BBRD&W is said to have laundered money for CIA covert activities, including early support of "a few thousand dollars" for a mission by Colonel James "Bo" Gritz, from August, 1982, to February, 1983, to search for some of the 568 American prisoners-of-war unaccounted for in Laos.

● In 1982, the CIA helped to stop a tax investigation of BBRD&W and two CIA officials flew in to purge the company's files of CIA material, says Rewald.

Before Rewald could pull out of BBRD&W, in the summer of 1983, he heard that a Hawaiian television station intended to broadcast a programme linking him and BBRD&W to the CIA. Under a false name, Rewald checked into a hotel room, watched the programme and slit his wrists. His life was saved and he was detained on bail of \$10m.

The CIA has fired at least one agent and disciplined several others for their involvement in the BBRD&W operation. One of our sources says that a CIA inspector-general's investigation criticised some agency employees for "poor business practices".